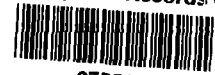


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July 21, 1999

**PRIVILEGED & CONFIDENTIAL
FOR SETTLEMENT PURPOSES ONLY**

VIA TELEFAX AND U.S. MAIL

Sherry Estes, Esq.
Office of Regional Counsel
U.S. Environmental Protection Agency
Region V
77 W. Jackson Boulevard (C-29A)
Chicago, IL 60604

Re: Skinner Landfill: Calculation of Plaintiffs' Initial De Minimis Settlement Offers

Dear Sherry:

In response to your request, I have prepared this letter to explain in detail how Plaintiffs calculated the initial de minimis settlement offers extended to certain parties at the Skinner Landfill.

Plaintiffs' initial de minimis settlement offers were based on the Allocator's findings as set forth in the Skinner Landfill Superfund Site Preliminary Allocation Report and Recommendations (Oct. 6, 1998) ("Preliminary Report"). In the Preliminary Report, the Allocator concluded that the response costs for the Skinner Landfill should be apportioned as follows:

Entity/Persons/Group	Percentage
John and Albert Skinner	50%
Elsa and Ray Skinner	10%
Chem-Dyne Corporation	9%
Chem-Dyne Related Parties	1%
Arrangers and Transporters – Liquid Wastes	20%
Arrangers and Transporters – Solid Wastes	10%

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Preliminary Report at 101. Thus, assuming that the Elsa and Ray Skinner are unable to make a meaningful contribution toward site costs, 31% of the site costs (attributable to the Chem-Dyne Related Parties and the Arrangers and Transporters of liquid and solid wastes) may be considered allocable.¹

To determine what percentage of the allocable share is attributable to each party, Plaintiffs utilized the following formula, where S = the party's solid waste share (found in Appendix 4 of the Preliminary Report), L = the party's liquid waste share (also found in Appendix 4), and C = the party's share of the 1% of site costs attributable to Chem-Dyne related parties (determined by multiplying the "Portion of [10%] Chem-Dyne Share" data found in the Preliminary Report at 89 by 10):

$$\frac{10S + 20L + C}{31\%}$$

For example, the Allocator determined that the Procter & Gamble Company should be held responsible for the disposal of 0.1147% of the solid waste disposed of at the Skinner Landfill. Preliminary Report, App. 4 at 1. The Allocator found that Procter & Gamble should also be held responsible for the disposal of 0.2121% of the liquid waste disposed of at the Site, but concluded that the company was not responsible for any of the waste trans-shipped from the Chem-Dyne facility. *Id.* at 89. Thus, for Procter & Gamble, S = 0.1147%, L = 0.2121%, C = 0, and the formula simplifies to $((10 * 0.1147\%) + (20 * 0.2121\%) / 31\%$. Procter & Gamble's percentage of the total allocable share based on the Preliminary Report, therefore, is approximately 0.1738%.

The Plaintiffs extended de minimis offers to all parties whose percentage of the total allocable share was less than 1%.² In order to account for the risks the non-settling parties would face with respect to the non-payment of orphan shares, ability to pay issues, future response cost uncertainties, future EPA oversight costs, DOJ costs, EPA costs since July 31, 1997, interest on Plaintiffs' past costs, and potential cost overruns associated with implementing the final remedy at the site, each de minimis offer reflected a 75% premium. The de minimis offers were

¹John and Albert Skinner are deceased, and the Chem-Dyne Corporation is defunct, and the Allocator has concluded that their shares should be treated as orphan shares. *See* Preliminary Report at 95.

²The General Services Administration and Ralcorp Holdings were not presented with de minimis settlement offers because Plaintiffs believed that their respective shares should have been higher than reflected in the Preliminary Report.

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calculated in the following manner. First, the estimated total site costs, \$14,789,296.82, were increased by 75%, to \$25,881,269.44, to account for the premium. *See Preliminary Report at 25.* Next each de minimis party's percentage of the total allocable share, determined by the formula described in the preceding paragraphs, was multiplied by \$25,881,269.44, resulting in the settlement payment amount. A minimum payment floor of \$2,000 was established to address administrative costs, including costs incurred in negotiating the settlement with the EPA on behalf of the de minimis parties.

The chart on the following pages chart reflects this calculation for each party that accepted Plaintiffs' de minimis settlement offer based on the Preliminary Report.

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~~Fed~~ Fed PRP = \$ 87,804.29

$\frac{1}{100} \times 25,881,269.44 =$

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Party	S: % of Allocable Solid Waste Share (10% of Site Costs) ¹	L: % of Allocable Liquid Waste Share (20% of Site Costs) ¹	C: % of Allocable Chem- Dyne Share (1% of Site Costs) ²	(10S + 20L + C)/31%: % of Total Allocable Share (31% of Site Costs) ³	Total Amount to be Paid
✓ Cincinnati Enquirer	0.0000%	0.9545%	0.00%	0.6158%	\$159,378.53
United States Air Force	0.5499%	0.0000%	0.00%	0.1774%	\$45,910.03
✓ Procter & Gamble Co - CD	0.1147%	0.2121%	0.00%	0.1738%	\$44,991.66
✓ Newberry Construction Company	0.3972%	0.0000%	0.00%	0.1281%	\$33,161.42
United States Postal Service	0.3231%	0.0000%	0.00%	0.1042%	\$26,974.96
✓ CM Paula	0.2750%	0.0000%	0.00%	0.0887%	\$22,959.19
✓ Johnston Coca-Cola Bottling	0.2117%	0.0000%	0.00%	0.0683%	\$17,674.40
United States Information Agency	0.1512%	0.0000%	0.00%	0.0488%	\$12,623.38
✓ American Premier Underwriters Inc	0.1375%	0.0000%	0.00%	0.0444%	\$11,479.60
✓ Rumpke Container Service	0.1237%	0.0000%	0.00%	0.0399%	\$10,327.46
✓ Village of Glendale	0.0883%	0.0000%	0.00%	0.0285%	\$7,371.99
Mecco Inc.	0.0838%	0.0000%	0.00%	0.0277%	\$7,163.27
✓ Watson's/I&J Distribution Co	0.0792%	0.0000%	0.00%	0.0255%	\$6,612.25
✓ Andrew Jurgens Corp	0.0773%	0.0000%	0.00%	0.0249%	\$6,453.62
✓ BF Goodrich	0.0687%	0.0000%	0.00%	0.0222%	\$5,735.62
✓ BP America	0.0674%	0.0000%	0.00%	0.0217%	\$5,621.09

city of Montgomery
city of Silverton
Morton Int'l

0.1010
0.0906
0.1480

0.00
0.00

159,376

44,980

22,957

17,678

7,169

5,745.64

+ No allocation of transportation

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Party	S: % of Allocable Solid Waste Share (10% of Site Costs) ¹	L: % of Allocable Liquid Waste Share (20% of Site Costs) ¹	C: % of Allocable Chem- Dyne Share (1% of Site Costs) ²	(10S + 20L + C)/31%: % of Total Allocable Share (31% of Site Costs) ¹	Total Amount to be Paid
✓ Butler County	0.0412%	0.0000%	0.00%	0.0133%	\$3,439.70
✓ City of Fairfield	0.0297%	0.0000%	0.00%	0.0096%	\$2,479.59
US Department of the Army	0.0275%	0.0000%	0.00%	0.0089%	\$2,295.92
American Standard Inc (Steelcraft)	0.0275%	0.0000%	0.00%	0.0089%	\$2,295.92
✓ Cincinnati Gas & Electric Company	0.0275%	0.0000%	0.00%	0.0089%	\$2,295.92
✓ Avon Products Inc	0.0234%	0.0000%	0.00%	0.0075%	\$2,000.00
+ X Champion International - CD	0.0157%	0.0000%	0.00%	0.0051%	\$2,000.00
X Shell Oil (Shell Chemical) - CD	0.0144%	0.0000%	0.00%	0.0046%	\$2,000.00
✓ City of Reading	0.0140%	0.0000%	0.00%	0.0045%	\$2,000.00
1/2 Hilton Davis Company	0.0137%	0.0000%	0.00%	0.0044%	\$2,000.00
✓ Consolidated Rail Corporation	0.0137%	0.0000%	0.00%	0.0044%	\$2,000.00
✓ Sun Oil Company d/b/a Sunoco Oil Corp	0.0124%	0.0000%	0.00%	0.0040%	\$2,000.00
✓ Marathon Oil Company	0.0027%	0.0000%	0.00%	0.0009%	\$2,000.00
X Borden Chemical Inc - DeMic	0.0027%	0.0000%	0.00%	0.0009%	\$2,000.00
✓ Queen City Barrel	0.0027%	0.0000%	0.00%	0.0009%	\$2,000.00
✓ United Waste Water Services, Inc.	0.0027%	0.0000%	0.00%	0.0009%	\$2,000.00
✓ Cytec Industries	0.0027%	0.0000%	0.00%	0.0009%	\$2,000.00
X Borden Inc - DeMic	0.0027%	0.0000%	0.00%	0.0009%	\$2,000.00

Chemical Land Holdings - CD -0048 200
(Diamond & Skanska)

2,485.

2,303

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Party	S: % of Allocable Solid Waste Share (10% of Site Costs) ¹	L: % of Allocable Liquid Waste Share (20% of Site Costs) ¹	C: % of Allocable Chem- Dyne Share (1% of Site Costs) ²	(10S + 20L + C)/31%: % of Total Allocable Share (31% of Site Costs) ³	Total Amount to be Paid
X Industrial Service Corp d/b/a Keenan Oil - <i>Dem</i>	0.0000%	0.0000%	0.00%	0.0000%	\$2,000.00
X Texaco Inc - <i>Dem</i>	0.0000%	0.0000%	0.00%	0.0000%	\$2,000.00
X AMF - <i>CD</i>	0.0000%	0.0000%	0.00%	0.0000%	\$2,000.00
X Globe Valve - <i>Dem</i>	0.0000%	0.0000%	0.00%	0.0000%	\$2,000.00

¹The data in these columns is taken directly from the Preliminary Allocation Report.

²This column reflects each party's share of the 1% of site costs allocated to viable Chem-Dyne-related parties.

³This column reflects each party's share of the 31% of site costs allocated to arrangers and transporters of liquid and/or solid wastes and viable Chem-Dyne-related parties.

Ludlow (Tyco) - *CD/Dem*
 0.00 0.00

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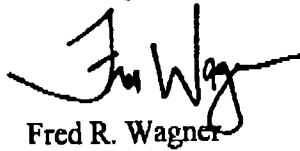
Sherry Estes, Esq.

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I hope this explanation is sufficient for your needs. Should you need additional information or wish to discuss this further, please contact me at (202) 789-6041.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred R. Wagner", with a stylized flourish at the end.

Fred R. Wagner

O:\CLIN\1721\4353\LTR\frw estes calculation of initial de minimis officers.wpd